

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement.

Complainant.

v.

Jeremy M. Hart (CRD No. 2839085).

Respondent.

ORDER ACCEPTING OFFER OF
SETTLEMENT

DISCIPLINARY PROCEEDING
NO. 2009019060901

HEARING OFFICER – MC

INTRODUCTION

Disciplinary Proceeding No. 2009019060901 was filed on February 6, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Jeremy M. Hart submitted an Offer of Settlement (Offer) to Complainant dated May 21, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

In February 1997, Hart entered the securities industry when he became registered as an Investment Company and Variable Contracts Products Representative ("IR") through a FINRA member firm. He remained with that firm until on or about June 30, 2004, when he voluntarily resigned his registration. Shortly thereafter, on or about July 12, 2004, he became registered with QA3 Financial LLC (QA3) as an IR. On or about July 2, 2008, his voluntarily resignation of his license with QA3 became effective. That same day he became registered as an IR through Evolve Securities, Inc. (Evolve) until he voluntarily resigned from that FINRA member effective on June 9, 2009. Hart has not registered or associated with another FINRA member since June 9, 2009.

Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years from the date Evolve and QA3 filed amendments to Hart's Form U5 and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member and with failing to respond to FINRA requests for information during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

Respondent Jeremy M. Hart ("Hart") participated in private securities transactions involving the purchase of over \$2.7 million of securities issued by two companies, DW and ACWS, by fifteen broker-dealer customers and nine non-customers. He failed to provide prior written notice to the two broker-dealers who employed him during the period in which the transactions occurred, as required by NASD Conduct Rule 3040. In addition, Hart misused certain of these funds, in violation of NASD Conduct Rules 2330 and 2110, as he failed to invest the funds as he had represented to the investors. None of the investors have received a return of their principal. Finally, Hart failed to respond to FINRA's requests for information during the course of its examination, in violation of FINRA Procedural Rule 8210 and Rule 2010.

FIRST CAUSE OF ACTION

(Undisclosed Private Securities Transactions) (NASD Conduct Rules 3040 and 2110 and FINRA Rule 2010)

DW Private Securities Transactions

In or about 2005 Hart began operating through Hart Financial, Inc. As a result of a desire to expand his business, he became involved in real estate partnerships run by RN. RN had formed a company called DW, which was incorporated in Colorado in or about 2004 and which offered what Hart referred to as non-traditional investment opportunities such as investments in commercial properties. Hart solicited persons to invest in DW, which then pooled such money to purchase commercial property, or to make loans to business entities with the proceeds. Between about August 14, 2006 and April 9, 2008, Hart participated in the sales of DW

unsecured promissory notes, with an approximate aggregate value of \$1,347,000, to nine investors, as set forth in Schedule A, attached to the Complaint. All of these transactions, except for the purchase by investor SB, involved customers of QA3 and/or Evolve.

Hart instructed those persons investing IRA funds in DW to send the funds to self directed IRA accounts at CBank. In turn CBank relayed the funds to DW for investment. CBank created investor account statements and other material that confirmed receipt of the funds and valued the DW investments at cost, plus interest. Investments with non-qualified funds were made directly to DW by check.

All investors, except GR, received a promissory note signed by RN. The notes bore different interest rates and had different repayment provisions. The interest rates ranged from seven to ten percent but the notes did not specify whether interest was to accrue per annum, over the life of the loan or in some other manner. All notes included a date at which all outstanding interest and principal was due.

Investors' funds were then deposited into two DW bank accounts controlled by RN. Hart benefitted from the DW investments. Between September 11, 2006 and October 15, 2008, RN provided to Hart or entities through which he conducted business, funds from a DW bank account totaling approximately \$972,054. Hart and his related entities repaid approximately \$126,703 back to that account, thereby receiving net proceeds of \$845,350. Moreover, Hart executed a promissory note showing that DBA, a business he owned with his then-wife, borrowed \$448,583.43 from DW on or about November 1, 2007.

In November 2010, Hart pled guilty to one count of felony theft and one count of felony securities fraud in the District Court of Larimer County, Colorado concerning investments he made on behalf of numerous investors in DW. Hart is currently incarcerated. Hart was ordered

to pay a total of \$3,487,523 in restitution to numerous DW investors, including each of the DW investors at issue in this Complaint.

ACWS Private Securities Transactions

In or about November 28, 2007, Hart created a company called ACWS for the purpose of offering on-line investment courses to the public. Instead, Hart later began raising money through ACWS to fund what Hart represented to be a "mortgage repair program" or "distressed asset repair program." Between about April 16, 2008 and May 19, 2009, Hart participated in the sales of ACWS promissory notes, with an approximate aggregate value of \$1,434,000, to thirteen investors, as set forth in Schedule A, attached to the Complaint. Six of these transactions involved customers of Evolve (DH, SH, BM, SR, D&BS and WW). As with DW, Hart instructed customers investing IRA funds in ACWS to set up an account with CBank. Others paid ACWS directly by check or wire transfer.

All ACWS investors received a promissory note, which was signed by Hart and/or ACWS' Chief Financial Officer. The notes bore different interest rates and had different repayment provisions. The interest rates ranged from seven to ten percent but the notes did not specify whether interest was to accrue per annum, over the life of the loan or in some other manner. All notes included a date at which all outstanding interest and principal was due.

Hart solicited all of the transactions in DW and ACWS reflected in Schedule A to the Complaint. Moreover, he facilitated the investments by, among other things, bringing them to the investors' attention, processing documentation and providing payment instructions.

The notes for DW and ACWS promised a return of principal at a date certain, as reflected in Schedule A to the Complaint. Moreover, Hart represented that the investments were safe and

risk free. Nevertheless, none of the investors whose notes have matured have received a return of principal as promised; further, Hart has represented that investors whose notes are to mature in the future will not be repaid.

The DW and ACWS promissory notes were securities within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. The promissory notes were unregistered securities within the meaning of the Securities Act of 1933.

The DW and ACWS promissory note transactions in which Hart participated occurred outside the regular course and scope of his association with QA3 and Evolve. QA3 and Evolve did not participate in and were unaware of the offering of the DW or ACWS promissory notes by Hart.

Hart did not provide QA3 or Evolve with prior written notification describing the proposed transactions, his proposed role therein, and stating whether he had received or might receive selling compensation in connection with the transaction. Nor did Hart receive written permission from QA3 or Evolve to participate in the sales of DW or ACW promissory notes.

For conduct occurring prior to December 15, 2008, the foregoing acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 3040 and 2110 by Respondent Hart. For conduct occurring after December 15, 2008, the foregoing acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 3040 and FINRA Rule 2010 by Respondent Hart.

SECOND CAUSE OF ACTION

Misuse of Customer Funds (NASD Rules 2330 and 2110) and Non Customer Funds (NASD Rule 2110)

As reflected in Schedule A to the Complaint: i) on or about December 28, 2006, VL invested \$220,000 through Hart. VL and her son, who acted as her representative, believed, based on conversations with Hart, that she was investing the funds in an annuity; ii) on or about February 8, 2007, GR invested \$194,528 through Hart. Hart told her he was investing the funds in a bank product; iii) on or about March 7, 2007, AH invested \$109,395 through Hart. Based on conversations with Hart, AH believed he was investing in bonds backed by the United States Government. Hart did not invest VL, GR and AH's funds as promised. Rather the funds were invested in DW, to assist DW with its operations which included commercial real estate investments. VL, GR and AH were all customers of QA3 and/or Evolve.

As reflected in Schedule A to the Complaint: i) on or about April 16, 2008, MH invested \$240,850 through Hart. Based on conversations with Hart, MH believed he was investing in a fund through CBank. He did not realize he was purchasing a promissory note until he later received the note; ii) on or about August 20, 2008 and September 12, 2008, JK invested \$200,000 and \$75,000 through Hart. Based on conversations with Hart, JK believed she was investing in a money market account. Hart did not invest JK and MH's funds as promised. Rather the funds were invested in ACWS to assist with its operations. JK and MH were not customers of a FINRA member firm.

Hart has not repaid any of the customers the principal invested and has represented that investors whose notes have not yet matured will not be paid. By failing to invest funds as the investors intended, Hart made improper use of their funds. For VL, GR and AW, customers of QA3 and Evolve, such acts, practices and conduct constitute a violation of NASD Conduct Rules

2330 and 2110. For non-customers JK and MH, such acts, practices and conduct constitute a violation of NASD Conduct Rule 2110.

THIRD CAUSE OF ACTION

(Failure to Respond to Requests for Information (Rule 8210))

On March 15, 2010, FINRA sent a FINRA Rule 8210 request for information and documents ("the information request") via certified and first class mail to Hart's residential CRD address. The letter required a response by March 29, 2010. "Holly Hart" signed the Domestic Return Receipt for the certified mailing on March 27, 2010. The first class letter was not returned. Hart did not respond in any fashion to the March 15, 2010 request letter.

The information request asked for, among other things, information pertaining to eleven potential outside business activities and private securities transactions (including transactions in DW and ACWS) including whether Hart had received any financial benefit from such transactions. The request also asked for information to assist the staff in evaluating whether Hart had misused or converted investor or customer funds. For example, the staff asked for copies of all bank account statements showing the receipt and ultimate disposition of investor funds and any repayments. The request also asked for information to ensure all affected investors in each private securities transaction were identified and to evaluate suitability and potential misrepresentations and omissions to investors.

On April 8, 2010, FINRA sent a new letter via certified and first class mail to Hart's residential CRD address. The letter noted that Hart had failed to respond to the March 15, 2010 letter. The staff enclosed the information request dated March 15, 2010 and asked Hart to respond to its contents by April 22, 2010, pursuant to FINRA Rule 8210. The letter sent to the

CRD address was returned marked "not deliverable as addressed, unable to forward." The first class letter was returned with a forwarding address. Hart did not respond to the April 8, 2010 letter.

On May 12, 2010, the staff re-sent its information request via certified and first class mail to Hart's CRD address and to the forwarding address. The letter cited Hart's previous failures to respond to staff's information request and asked that Hart respond to the information request pursuant to FINRA Rule 8210, by May 26, 2010. An unidentified person signed on June 1, 2010, for the certified mailing sent to the forwarding address. Both letters sent to the CRD address for returned to FINRA with the forwarding address marked on the envelope. The first class mailing to the forwarding address was not returned to FINRA. Hart did not respond to the May 12, 2010, letter.

FINRA gave Hart a fourth opportunity to provide the requested information. On June 2, 2010, the staff re-sent its information request via certified and first class mail to Hart's CRD address and to the forwarding address. The letter cited Hart's previous failures to respond to the staff's information request and asked that Hart respond to the information request pursuant to FINRA Rule 8210, by June 16, 2010. On June 3, 2010, Hart signed the Domestic Return Receipt for the certified mailing sent to the forwarding address. Both letters sent to the CRD address were returned to FINRA with the forwarding address marked on the envelope. The first class mailing to the forwarding address was not returned to FINRA. Hart did not respond to the June 2, 2010, letter.

Hart's failure to provide any of the requested information hampered the staff's investigation, as, among other things, it could not fully review and evaluate the circumstances

and extent of Hart's participation in private securities transactions, outside business activities, misuse and/or conversion of customer and non-customer funds and his possible fraudulent conduct. Such acts, practices and conduct constitute a violation of FINRA Rules 8210 and 2010 by Hart.

Based on the foregoing, Respondent violated NASD Conduct Rules 2330, 3040, 2110 and FINRA Rules 8210 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

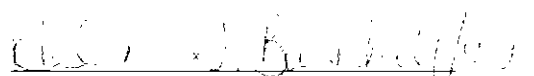
It is ordered that Respondent be barred from associating with a FINRA member firm in all capacities.

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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Staff Schedule A
Private Securities Transactions

Names	Type of Account	Date of Investment	Amount	Due Date
Dreamweaver Foundation Unsecured Promissory Notes				
1 SB		04/09/08	\$38,000	04/09/11
2 GD		08/14/06	\$75,859	08/14/09
3 R & J G		09/07/06	\$54,000	09/06/09
4 RG	IRA	03/21/07	\$130,000	03/21/12
5 VL		12/28/06	\$220,000	12/31/11
6 GR		02/08/07	\$194,528	02/08/12
7 AS	IRA	02/05/08	\$275,000	02/04/10
8 AS	IRA	03/12/08	\$25,000	03/11/10
9 AV	IRA	03/07/07	\$109,395	12/31/12
10 LW	IRA	03/07/07	\$226,014	12/31/12
			\$1,347,796	
American Consumer Wealth Unsecured Promissory Notes				
1 LB	IRA	04/07/09	\$55,500	04/07/11
2 NB	IRA	04/21/09	\$83,000	04/21/11
3 SB	IRA	05/12/09	\$75,000	06/12/11
4 DH	IRA	03/31/09	\$31,020	03/31/11
5 SH	IRA	03/31/09	\$46,767	03/31/11
6 RH		07/28/08	\$100,000	07/27/09
7 MH	IRA	04/16/08	\$240,850	04/16/14
8 MH		06/10/08	\$306,000	12/10/08
9 JK		08/20/08	\$200,000	08/20/10
10 JK		09/12/08	\$75,000	09/11/10
11 BM	IRA	03/18/09	\$58,000	03/18/12
12 SR	IRA	02/09/09	\$47,510	02/09/12
13 D&B S		01/26/09	\$50,000	01/24/13
14 VW	IRA	05/19/09	\$66,000	04/18/13
			\$1,434,647	